

JPRS-UAA-89-001  
23 JANUARY 1989



**FOREIGN  
BROADCAST  
INFORMATION  
SERVICE**

# ***JPRS Report***

**DISTRIBUTION STATEMENT A**  
Approved for public release  
Distribution Unlimited

## **Soviet Union**

***PEOPLES OF ASIA & AFRICA***

No 3, May-June 1988

DTIC QUALITY INSPECTED 2

19980202 176

# **Soviet Union**

## **PEOPLES OF ASIA & AFRICA**

No. 3, May-June 1988

JPRS-UAA-89-001

### **CONTENTS**

23 JANUARY 1989

[The following is a translation of the Russian-language bimonthly journal NARODY AZII I AFRIKI published in Moscow by the Oriental Studies Institute and the Africa Institute of the USSR Academy of Sciences.]

Table of Contents [p 222] .....	1
English Summary of Major Articles [pp 217-221] .....	2
Information on Authors [p 216] .....	5
Economic Changes in China Since 13th CPC Congress [E.P. Korbash; pp 1-12] .....	5
Arabian Oil Monarchies Banking Problems in 1980s [A.A. Maksimov; pp 84-90] .....	12
Asian Studies Conferences Held in Latter Half of 1987 Noted [A.A. Belozertsev, et al.; pp 144-152] .....	17
Book on Israeli-South African Cooperation Reviewed [A.V. Prudnikov; pp 211-213] .....	17

# Peoples of Asia and Africa

No 3, May-June 1988

**Table of Contents**  
*18070001f Moscow NARODY AZII I AFRIKI in English No 3, May-Jun 88 p 222*

[Text]

## ARTICLES

E.P. Korbash. 13th Congress of Communist Party of China and Ways of Solution of Economic Problems of PRC ..... 3

S.V. Onischuk. Agricultural Labor and Historical Types of Intensification of Agriculture in Countries of Asia and Africa ..... 13

O.V. Pleshov. "Ideology of Pakistan": Transformation of the Concept ..... 25

V.V. Sovasteyev (Vladivostok). Evolution of Social and Political Thought in Japan in the Middle of 19th Century (the Outlook of Yoshida Shyoin) ..... 34

E.V. Tyulina. Cosmological Notions in Memorial Ritual of Ekoddista Sraddha (according to "Garuda Purana") . 44

## Problems of Methodology

R.G. Landa. Towards the Study of Social Structures of Asian and African World ..... 54

## Discussion

*Social and Economic Structure of the Pre-Capitalist East*

L.S. Vasilyev. What is the "Asian" Mode of Production? ..... 65

## From the History of Oriental and African Studies

F.A. Toder, M.F. Yuryev. Gueorguy S. Kara-Murza . 76

## NOTES

A.A. Maksimov. Debt Crisis of Oil Monarchies of Arabia ..... 84

K.Ch. Sekar. Victory of Left-Democratic Front in Elections of 1987 in Kerala ..... 91

Mussa A. Guindo (Mali). System of Relationship of Bambara as an Aspect of Culture of People Speaking Bamana Language ..... 98

I.M. Shklyazh (Voroshilovgrad). Slave-Ownning and White Community of the Cape Colony (End of 18th—Beginning of 19th Century) ..... 102

## PUBLICATIONS

The Yajnavalkyasmrti. Book II. Translation from the Sanskrit, Introduction and Commentary by A.V. Samozvantsev ..... 110

## CONFERENCES AND NEWS

I.M. Smilyanskaya. Scientific Meeting "State Structures of the Eastern Countries in Modern History." S.S. Niki-forova. Third International Musicological Symposium "Traditions of Peoples of the Near and Middle East in Contemporary Musical Culture" ..... 127-137

Chronical Notes ..... 144

## CRITIQUE AND BIBLIOGRAPHY

### Discussion

L.V. Maksimov (Ivanovo). From Specific Features to the Essence of Development of Liberated Countries. Participants: B.I. Slavny, V.V. Makarenko ..... 153

### Review Articles

A.I. Fursov. Concept of "Rational Peasant" (Critical Analysis of Neo-Classic Interpretation of Social History of Asian Peasantry). A.M. Pegushev. Series of Monographs "History of African Countries" (in Russian). Successes and Difficulties in Study of African History . 164-178

### Reviews

Yu.L. Krol (Leningrad). V.A. Velgus. Medieval China. Studies and Materials on History, Foreign Relations, Literature. V.K. Shokhin. V.G. Lyssenko. "Philosophy of Nature" in India: Atomism of the School Vaisesika (in Russian). L.S. Klejn (Leningrad). E.E. Kuzmina. Ancient Cattle-Breeders from the Urals to Tien Shan (in Russian). T.V. Dorofeyeva. E.A. Kondrashkina. Indonesia. Linguistic Situation and Linguistic Policy (in Russian) ..... 191-207

### Book Notes

A.V. Prudnikov. S.M. Gasratyan. Israel and South Africa: Aims and Forms of Co-operation (in Russian). V.Z. Tserenov. R.S. Lipets. Images of Batyr and His Horse in Turkic Mongolian Epos (in Russian) . 211-214

Contributors ..... 216

Summaries of Major Articles in English ..... 217

COPYRIGHT: "Narody Azii i Afriki" Glavnaya redaktsiya vostochnoy literatury, 1988

12821

**English Summary of Major Articles**  
*18070001a Moscow NARODY AZII I AFRIKI*  
*in English No 3, May-Jun 88 pp 217-221*

[Text] 13TH CONGRESS OF COMMUNIST PARTY OF CHINA AND WAYS OF SOLUTION OF ECONOMIC PROBLEMS OF PRC

E.P. Korbash

The article analyzes the changes occurred in the economic life of China after Third plenary session of the Central committee of the 11th convocation (December 1978) which announced the policy of economic reforms. The author scrutinizes some new approaches to the interpretation of the essence of socialist system, which had been formulated by Chinese economists for almost nine-year period of reforms and are called in China a "breakthrough" in the economic theory of socialism. These approaches include: the interpretation of problem of the marxist-leninist heritage role, a reconsideration of the research method itself; the refusal of an abstract interpretation of socialism, alienated from the development of productive forces; the elaboration of the concept of economic development based on various forms of ownership, with a leading role of the public ownership; the recognition of the socialist economy as a planned commodity economy and the need of effective measures to create a common socialist market in the country; the admission of the need to form an "open-type economy" involved in the international competition. As the article demonstrates, the motivation of the new approaches to the theory and practice of socialism in China is based on the real situation of the productive forces of the country. Proceeding from the fact that modern China is characterized by a backwardness of productive forces and undeveloped commodity economy, the 13th congress of the Communist Party (October 1987) analysed results of the economic reforms for the passed years and made a conclusion about the possibility to realize the socialist modernization of the country up to the middle of the next century. During all that period China will develop in the framework of an "initial stage of socialism" and work selflessly to transform itself into a "rich, powerful, democratic and civilized modern socialist state."

**AGRICULTURAL LABOUR AND HISTORICAL TYPES OF INTENSIFICATION OF AGRICULTURE IN COUNTRIES OF AFRICA AND ASIA**

S.V. Onischuk

The article considers theoretical problems of intensification of the agriculture based mainly on the manual labour and natural factors of production.

The author demonstrates the existence of two types of the agricultural labour: the labour directly applying the natural mechanism and that creating conditions for its applications, the latter type having less productivity as compared with the former in pre-capitalist societies. The productivity of labour of the former type depends in these societies mainly on the level of availability of sources of natural fertilizers, in the first instance, the livestock. As a result of the population growth in the limits of the existent territory and owing to the increase of proportion of the less productive labour in the aggregate labour, the production output per worker diminishes as the level of his labour input remains unchanged.

When the production becomes insufficient to satisfy the needs, it leads either to an external migration of the population or to an intensification of the agriculture. The external migration results in the increase of proportion of the labour directly applying the natural mechanism, in the aggregate agricultural labour without an increase of the quality of the aggregate labour, which urges new lands to be put into the agricultural exploitation.

The intensification involves the growing input of the aggregate labour of a worker, reducing the gap between the time of production and the time of labour. Thus, an absolute increase of the time of labour in the agriculture allows to rise the production output by a worker as the productivity of his aggregate labour diminishes.

On the basis of the undertaken study three main types of a pre-capitalist intensification of agriculture can be distinguished: in the tropical zone, in the European zone with a moderated climate and in Tropical Africa. The article notes also the stages of the agricultural evolution and the corresponding levels of population density.

The author makes the conclusion that the transition to the use of the plough in the traditional peasant economy of Tropical Africa needs a certain density of population corresponding to the given level of labour input. If the system intensity is below the necessary level, the switching over of labour from some operations to the others does not result in the growth of the aggregate labour productivity and is not a stimulus to the intensification. This allows to determine levels of population density which are optimal for the transition to the mechanization and the use of plough at animal traction in the conditions of Tropical Africa.

**"IDEOLOGY OF PAKISTAN": TRANSFORMATION OF THE CONCEPT**

O.V. Pleshov

The last decade gave evidence to consistent attempts on the part of the Ulama to convert M.A. Jinnah into something he clearly was not—an ardent champion of the idea of islamic state. The article brings us back to pre-partition time when the bureaucratic intellectual elite of Indian muslims had finally come to stand in the forefront of the Movement for Pakistan.

An outstanding feature of this phase was that factors of ethnic, cultural and economic nature underlining the diversity of the Movement gave way to the unity in common struggle for muslim statehood. Islamic ideology as such was not among the decisive factors determining the degree of involvement of the masses in the Movement. One of the reasons was what could be named the phenomenon of subconscious distrust. With all traditional respect of the Indian muslims for the Ulama, they came to doubt their ability to provide some real help.

The Ulama themselves started to undermine Jinnah's ideas immediately after his death. This exercise was subtle at first but with the passage of time it took the form of a direct fraud. Instead of Jinnah's essentially secular concept the public is now offered the "Ideology of Pakistan" which is supposed to mean at the same time the gist of Qaid-i-Azam's thoughts and the final goal of the Ulama. By this way they seek to achieve a dual aim. It is made as though the purposes of Jinnah and those of the Ulama were the same. The Ulama now pretend to have taken an active part in the Movement for Pakistan.

Islamization carried out by the present regime has the wholehearted cooperation of the Ulama since it is based on the "Ideology of Pakistan." The fact that they do not pursue exactly the same aims makes no difference to either.

#### EVOLUTION OF SOCIAL AND POLITICAL THOUGHT IN JAPAN IN THE MIDDLE OF 19TH CENTURY (The Outlook of Yoshida Shyoin)

V.V. Sovasteyev

For the first time in Soviet historiography this article makes an attempt to investigate social and political ideas of the notorious Japanese philosopher and political personality of the middle of 19th century Yoshida Shyoin and to identify his place in the development of social thought and the political history of Japan in 19th century. The author analyses the views of Yoshida Shyoin on the reasons of the domestic and internal political crisis of Japanese society after the violent "openings" of the country, and his proposals of ways to overcome this crisis. Yoshida Shyoin is described as one of the most important ideologists of the movement *sonno zyoï* ("reverence for the emperor, repel for the barbarian"), who clearly formulated the idea of overthrow of the shogunate and the creation of a centralized state with the emperor at its head.

Scrutinizing sources of the social and political views of Yoshida Shyoin the article retraces their links with ideas of the late Mito school, sinoist concepts of the organization of ancient Japanese state, doctrines of Chinese thinkers Wang Yangming and Mencius as well as some political ideas of the West interpreted in a peculiar way.

The review of traditional learnings of China and Japan on the society and the state by Yoshida Shyoin with an account of the sharply changed political situation is considered by the author as his characteristic method of a comprehensive substantiation of a political program.

Introducing Yoshida Shyoin as a forerunner of the nationalistic ideology of the bourgeois Japan the author shows the peculiarity of his views with a net imprint of a feudal nationalism and expansionism. At the same time he finds in his ideas shoots of the bourgeois individualism, his political program being addressed not merely to radical lower strata of the Japanese Samurais, but also to a larger range of social forces, what resulted in advancing the idea of an active, effective social force *somo* ("unattached patriots").

#### COSMOLOGICAL NOTIONS IN THE MEMORIAL RITUAL OF EKODDISTA SRADDHA (According to "Garuda Purana")

E.V. Tyulina

The article concerns symbolics of the ancient Indian memorial ritual observed over a year, including 16 sacrifices dedicated to the defunct person. The main element of the ceremony was the offering of *pindas* (beads of rice). "Garuda Purana" contains two explanations of the meaning of this ceremony. According to one of them, *pindas* form a new body of the defunct (the first one—the head, the second—the neck and the throat etc.); the other version is that the offering of each *pinda* corresponds to the passage of the defunct (*preta*) through a town of death and serves to satisfy hunger of the defunct. Such a combination of notions of a new birth and a way to the world of fore-fathers is a modification of the most ancient myths on the creation of the universe, the birth and death and the posthumous way of man.

One of the most ancient description of the way to the world of fore-fathers in the Indian tradition is the description in the "*Brhadaranyaka Upanisad*" containing, on the author's opinion, a set of ideas which could constitute the basis of the *Sraddha* ritual. The food was of a particular importance for the ritual of reverence for fore-fathers, and this finds its explanation in the notion that *purusa* creates the universe through an offering of food in himself (Br. Up. 1, 5, 2).

The author analyzes the symbolics of numbers which are the most important for the ritual—12 and 16. "Twelve" symbolizes the 12 months of a year. The importance of this number can be explained by the identification of the man and the year. "Sixteen" (the whole number of sacrifices) is connected with the identification of the human body with 16 parts of a sacrificial animal.

A comparison of ancient interpretations of *Sraddha* with a later one gives an opportunity to observe how the complex mythological concept of the ritual was re-interpreted from the point of an already non-mythological conscience.

#### SOME PROBLEMS OF STUDY OF SOCIAL STRUCTURES OF ASIAN AND AFRICAN WORLD

R.G. Landa

The complexity of social and class structures of Asian and African population is conditioned by the variety of economic forms, the interdependence of different systems of relations of production and social links, historical features concerning the level of productive forces' development. Capitalism in all its forms—from TNCs to the small non-industrial enterprise, have not yet assimilated the whole social and economic space of the East. Consequently the majority of population either functions here at a social level in the sphere of pre-capitalist relations or consists of social strata and groups of a transitional type, a number of class symbiosis: half-peasant—half-worker, half-feudal—half-capitalist etc. An accelerated urbanization, industrialization as well as the cultural and technological modernization of the Eastern society continuously change its image, creating new strata and components, in particular, at the limits between traditional and modern structures.

The article scrutinizes such results of this process as the hypertrophied pauperism, the increasing role of the bureaucratic bourgeoisie and the continuing advancement of the "democratic capital," a peculiar and prospective fraction of the national bourgeoisie. The pauper and lumpen "base" already presses all the floors of the social pyramid of Eastern society, deforming the traditional relations between classes. The rapid increasing of this base threatens to provoke unpredictable consequences. In its turn, the aggravation of contradictions between classes, the polarization of social forces lead to the reinforcement of an already important role of the state and its machinery. In the transitional Eastern society this contributes to the prosperity of the bureaucratic bourgeoisie as a symbiosis of bourgeoisie and bureaucracy, economic and non-economic role, capitalist and pre-capitalist methods of exploitation. An alternative of the bureaucratic bourgeoisie in the given circumstances of nowadays is the "democratic capital," whose development from the town small ownership and the top of peasantry in Russia and in Europe was observed by V.I. Lenin in the beginning of 20th century. Now this is a huge social and political force in the Eastern countries, and its subsequent development and position are important for the future.

#### WHAT IS THE "ASIAN" MODE OF PRODUCTION?

L.S. Vasilyev

Analyzing the views of Marx on the Eastern society (the "Asian" mode of production) and taking into account materials of the contemporary Eastern studies, the author distinguishes in the human history two essentially different socio-political and socio-economic structures—the European one, which can be traced back to the antiquity, and the non-European structure.

The antique structure which came into being on the basis of the earlier, and common for the whole mankind, non-European (Eastern) organization of society and state, was characterized by a leading role of the private property and the system of the so called civil society serving the private-ownership rights and interests of an individual-citizen separated from the community (democratic freedoms and corresponding procedures, personal guarantees, republican form of the political power etc.). The situation was completely different in the East where the power-property was the alternative of the private ownership, and instead of citizens-owners, functions of the ruling class were performed by an organized as a state bureaucratic machinery which existed owing to a centralized redistribution of the surplus product (a rent-taxation from producers deprived of civil rights, subjects of the omnipotent state).

The course of antique history was interrupted by the feudalization of Europe, the Teutons taking place of the ancient Greeks and Romans being structurally close to the traditional East. Only gradually, through the christianization and the assimilation of the antique heritage in Europe in the late Middle Ages the private-ownership structure recovered its leading positions, the capitalism being formed here precisely on this basis (i.e. finally on the basis of the antique heritage). Nowhere else outside Western Europe the capitalism could independently come into existence, because there were not necessary internal potentials. Merely from the epoch of colonialism when traditional structures of the East were violently broken, the possibility of forming the capitalism emerged in the East, however, the way to the realization of this possibility was obstructed by defensive functions of the traditional Eastern mode of production based on the power-property and the omnipotence of the state supported by the centralized redistribution. To the afore-said one should add also the influence of the fundamental religious tradition although the direction of this influence in various civilizations of the East was different. Excluding the phenomenon of Japan, the traditional East as a whole is now characterized by the trend to conserve the leading role of the state mode of production with an additional role of the private-ownership sector.

THE YAJNAVALKYASMRTI. BOOK II (Legal Procedure, Second Part)

This publication is a commented translation into Russian of the famous piece of the ancient Indian genre *dharmasastra*, compiled obviously in the second century, by way of extractions from earlier texts of the same content according to the existing tradition of the genre, in particular, from the compendium of the political thought—the *Kautiliya Arthasastra*.

The *Yajnavalkyasmrti* was the most popular monument of the genre in medieval India: it was interpreted by the well-known commentary of the *Mitaksara* (11th-12th centuries) which formed the basis of the classic Indian law, and was considered as an authoritative legal text. The European science began its studies of the Indian law precisely from the *Mitaksara*.

Perhaps this significant monument was not translated into Russian up to now, excluding its small fragment concerning *rajadharma* (in the end of the book I). A very important section dealing with the legal procedure (book II) containing also knowledge from the practice of social and economic relations (traditionally introduced in the form of objects of the legal procedure) did not exist in Russian (for the first part of the suggested translation see the issue of our journal No 4, 1986, pp 126-140).

The present publication includes the translation based in two versions of the text—*Visvarupa* and *Vijnanesvara* and extracts from the commentary by these two authoritative sources of the legal thought of medieval India, as well as a number of comments by the translator, which may be useful to clear up some "obscure" passages.

A confrontation of the translated text of the book II with the earlier translated into Russian *Manusmrti* and *Arthasastra* allows to consider and to solve also problems dealing with the source studies.

Translation from the Sanskrit, Introduction and Commentary by A.M. Samozvantsev.

COPYRIGHT: "Narody Azii i Afriki," Glavnaya redaktsiya vostochnoy literatury, 1988

**Information on Authors**

18070001b Moscow NARODY AZII I AFRIKI  
in Russian No 3, May-Jun 88 p 216

[Text] Sergey Vasilyevich Onishchuk, graduate student at the USSR Academy of Sciences Africa Institute.

Oleg Vasilyevich Pleshov, candidate of historical sciences, senior scientific associate of the USSR Academy of Sciences Oriental Studies Institute.

Vitaliy Vladimirovich Sovasteyev, candidate of historical sciences, docent of the Far East State University.

Yelena Valeryevna Tyulina, senior laboratory staffer of the USSR Academy of Sciences Oriental Studies Institute.

Robert Grigoryevich Landa, doctor of historical sciences, sector chief of the USSR Academy of Sciences Oriental Studies Institute.

Leonid Sergeyevich Vasilyev, doctor of historical sciences, professor, lead scientific associate of the USSR Academy of Sciences Oriental Studies Institute.

Andrey Aleksandrovich Maksimov, candidate of economic sciences, senior scientific associate of the USSR Academy of Sciences Oriental Studies Institute.

Karina Chandrovna Sekar, graduate student at the USSR Academy of Sciences Oriental Studies Institute.

Mussa Amadu Guindo, graduate student at the Russian Language Institute imeni A.S. Pushkin.

Iosif Mikhaylovich Shklyazh, candidate of historical sciences, docent of the Voroshilovgrad Pedagogical Institute.

Fanya Aleksandrovna Toder, candidate of historical sciences.

Mikhail Filippovich Yuryev, doctor of historical sciences, professor, department chief of the Asian and African Countries Institute of Moscow State University.

Andrey Mikhaylovich Samozvantsev, candidate of historical sciences, senior scientific associate of the USSR Academy of Sciences Oriental Studies Institute.

Lev Vyacheslavovich Maksimov, candidate of philological sciences, docent of a department of the Ivanovo Textile Institute imeni M.V. Frunze.

Andrey Ilich Fursov, candidate of historical sciences, academic associate of the Institute for Scientific Information on the Social Sciences of the USSR Academy of Sciences.

Andrey Mikhaylovich Pegushev, candidate of historical sciences, senior academic associate of the General History Institute of the USSR Academy of Sciences.

COPYRIGHT: "Narody Azii i Afriki," Glavnaya redaktsiya vostochnoy literatury, 1988

**Economic Changes in China Since 13th CPC Congress**

18070001c Moscow NARODY AZII I AFRIKI  
in Russian No 3, May-Jun 88 pp 1-12

[Article by E.P. Korbash: "The 13th CPC Congress and Ways of Resolving PRC Economic Problems"]

[Text] The 13th CPC Congress, which took place in October of 1987, summarized the results of the almost 9-year period of implementation of economic reform in the PRC. Noting the "uninterrupted and stable" development of the economy over this time (gross national product, the financial income of the state and the income

of the urban and rural populations have all roughly doubled), the congress emphasized that important shifts have occurred in the resolution of socio-economic problems: an absolute majority of the billion-strong population of the country is provided with nourishment and housing; employment opportunities for the population have increased (some 70 million people are able to work in the cities, and over 80 million peasants have moved entirely or partially into the sphere of non-agricultural production); the supply of markets with basic consumers goods has improved considerably; and, progressive changes have occurred in the structure of the economy that have made possible a weakening of the most acute disproportions and the solution of important problems in the life of the population.<sup>1</sup>

As was emphasized at the congress, since the 11 Convocation of the 3rd CPC Central Committee Plenum (December 1978), which laid the foundation for the reform of the economic system in the country, a series of "new scholarly interpretations" of the process of socialist construction was made on the basis of a summarization of over thirteen years of our own, as well as international, experience. These "interpretations" are called "breakthroughs"—achieved as a result of a sharp conflict of opinions—in the economic theory of socialism in the academic literature of the PRC today.

The accomplishment of these "breakthroughs" was facilitated by the multitude of economic discussions that have been actively conducted in the Chinese press since the end of the 1970s. The results of research are published in anthologies and monographs devoted to the most important strategic issues of socio-economic development in modern China. Major scholars and economists of the PRC taking part in the academic inquiry are Dong Fureng, Liu Guoguang, Ma Hong, Yu Guangyuan, Su Shaozhi, He Jianzhang, Jiang Xiemo, Xiue Muqiao, Du Runsheng, Zhou Shulian, Lin Zili, Sun Shangqing and Zhao Renwei among others.

Among the "breakthroughs" in the economic theory of socialism are first and foremost the postulation of the question of the significance of the Marxist-Leninist legacy. Asserting the presence of two "extremes" in the PRC in relation to Marxism—its decisive rejection or, on the contrary, a dogmatic following of it—Chinese scholars define their own new approach as follows. One should not adhere to any extent to inert positions in the theory of socialist construction under the guise of defending the legacy of Marxism-Leninism and the purity of it. It is necessary to analyze what in the legacy of the founders of Marxism-Leninism retains vital force today, what has changed under the new conditions of time and place, and what has not been reflected in the objective conditions of our times, but is advanced by the practices of the modern day, what conclusions are not supported or are contradicted by reality, and which were correct but treated incorrectly by succeeding generations. Only such an approach, these scholars emphasize, makes it possible to preserve an objectively considered

attitude-toward Marxism-Leninism and the remaining ideo-political platform of the CPC. The "fundamental principles" of Marxism-Leninism should not be realized directly, but being reflected in concrete historical conditions, "separate provisions and conclusions"—and should change depending on those conditions. Marxism-Leninism requires continuous creative development overall, and the motive force for this should be actual practice.<sup>2</sup>

This approach assumes a change in the method of research itself: not the construction of assumptions relative to the functioning of the socialist economy on the basis of principles established earlier with the use of some "essential definitions" (the Chinese scholars see the root cause of former theoretical delusions in this), but a turn to the inductive method, to reality, to quantitative analysis and experiment. Chinese scholars note that for some time after the victory of the Great October Revolution, V.I. Lenin was pointing out the necessity of discussing socialism not on the basis of books, but on the basis of experience; today, they emphasize, the time has come for a further awareness of socialism, its creative development in the process of social practices—in this instance the practices of the PRC. "Further knowledge of socialism signifies the application of the universal truth of Marxism in the practice of socialist construction in China. The process of this practice constantly makes corrections in the incomplete and unscientific knowledge of socialism that existed in the past in our consciousness, and via practice creating, developing and improving the theory of the construction of socialism with a specific Chinese nature."<sup>3</sup> Indicating the possibility of addressing the experience of other socialist countries under contemporary conditions and "giving new development to the theory of scientific socialism in accordance with the new practices," the 13th CPC Congress emphasized that the construction of socialism in such a large and at the same time backward Oriental country as China "is a new problem in the history of the development of Marxism."<sup>4</sup> It is proposed in this regard to take into account the specific features of the PRC without permitting the thoughtless following of book truths or the simple copying of the experience of other countries, but rather, "combining the basic principles of Marxism with Chinese reality, to make a path toward the building of socialism with a specific Chinese nature in the process of practical work."<sup>5</sup>

The majority of the "breakthroughs" in the economic theory of socialism in the PRC relate to the rejection of abstract treatments of the principles of socialism that are removed from the development of productive forces. One of the chief conclusions made in the PRC on the basis of not only their own experience, but also general experience of socialist construction, is the fact that over its existence, socialism has not demonstrated clear advantages over capitalism in the sphere of the development of productive forces. Posing the question at the end of the 1970s and beginning of the 1980s of why, being socialist for many years already, China had still not gotten



rid of poverty and had not overcome backwardness, PRC scholars are concluding that the universal law of the correspondence of industrial relations to the nature of the productive forces has been treated incorrectly in the theory and is distorted in the practice of socialist construction.<sup>6</sup>

Researchers have been approaching the question of the correlation of productive forces and industrial relations unilaterally for a long time; the industrial relations of socialism have been considered in abstract fashion, apart from the development of productive forces. In the PRC, as well as in works on the political economy of socialism in other countries as well, the depiction of the possibility and even the expediency of a certain "outstripping" of the development of industrial relations compared to the development of productive forces in the construction of socialism on a poorly developed economic base was widespread. The material nature of industrial relations was underestimated therein.

The spread of the opinion of the possibility of industrial relations "outstripping" the development of productive forces, that such an "outstripping" plays a "progressive" role (supposedly) facilitating the more rapid surmounting of backwardness) was incarnated in practice in the urging of transformations in the sphere of industrial relations. The more backward the economy, the more energetically they tried to accelerate the process of social transformations. Artificially imposed forms of social life and economic organization of production did not correspond to the level of productive forces as a result, and they were transformed into a brake on their development.

Chinese economists and sociologists came to the firm conviction in the course of discussions that the development of productive forces could be facilitated only by industrial relations that correspond to their nature, that industrial relations could not and should not "outstrip" their development, that the depiction of the possibility of combining "progressive industrial relations" and "backward productive forces" was simply absurd. The advantages of socialism should be manifested not only in the existence of public forms of ownership, distributions according to labor and the like, but also in the sphere of the development of productive forces. This "breakthrough," it is emphasized in the PRC today, has made it possible "to correct delusions and prejudices in relation to Marxism," to condemn decisively the "leftist" ideological strain that has long held sway in the country, betting on the "class struggle," approaching the tasks of genuine development of the productive forces of society in voluntaristic fashion and, most importantly, concentrating in practice on socialist construction for the resolution of economic issues.<sup>7</sup>

The 13th CPC Congress indicated that industrial relations and the superstructure in this case facilitate the development of productive forces when it corresponds to them, that the appearance of socialism and its movement

from one stage to another, right up to the implementation of communism, are inseparable from the development of productive forces. The congress materials emphasize that "the rejection of such a criterion as the development of productive forces and the evaluation of life according to abstract principles and utopian models can only discredit Marxism."<sup>8</sup>

The rejection of the stipulation that socialism can be based exclusively on public ownership of the means of production is being called in the PRC a "most major breakthrough" in the realm of the economic theory of socialism; the concept of a pluralistic structure of ownership under socialism has been advanced. Traditional views of socialism both as a society in which only state or collective forms of ownership exist, along with concepts that do not allow the possibility or expediency of the formation of non-identical ownership structures (it is assumed herein that collective ownership should gradually "ascend" to state ownership—the two-sector model should thereby be transformed into a single-sector one) in different economic situations and levels of development of productive forces, have been repudiated in the PRC today. Representations that collective ownership is lower than state (nationwide) ownership, caused by the incorrect hierarchy of "personal—collective—nationwide" ownership, have also been repudiated. Such "tiering" is deemed dogmatic, as are depictions of future socialism as a society in which only unified nationwide ownership will exist.<sup>9</sup> The PRC, as was emphasized, entered the incorrect path of the formation and development of exclusively public ownership as a result of earlier adherence to such schemes; other forms of ownership were underestimated or even simply "purged" in the chase for its "highest" form; personal economics and other non-collectivist forms of economics were considered the "leavings of capitalism" that should be "chopped off." Such practices, reinforced by "theoretical substantiations," inflicted harm on both the urban and the rural economies.

As testified to by the practice of socialist construction in the PRC, without the proper preparation of the material and cultural conditions for conducting transformations in the realm of ownership, only a formal collectivization can be achieved, which is essentially transformed into a material drag on the development of productive forces. The resolution of such a grandiose task as cooperation in agriculture, and the more so in a backward peasant country, for instance, is connected with the radical transformation of the village economy and the way of life of the peasantry. The transition of the peasants from personal small production onto the path of socialist development is inevitably accompanied by prolonged and difficult work and can only be accomplished gradually, through intermediate forms. In order to pursue the cooperation of peasant farms (in a case where they are inefficient in view of their weakness and scattered nature), not only are a sufficiently high productive base and the development of the national economy needed so that they are able to render assistance to agriculture; it is

extremely important that the peasants are convinced through their own experience of the advantages of the new type of farming. And this requires quite a long time. If the principle of gradual transition from lower to higher forms of public farming to the extent of the creation of real conditions is violated, if an attempt is made to make radical changes in the vital institutions of the peasants in a short time without any serious alterations in the nature of productive forces, production stagnation inevitably results.

It is namely this that is testified to by the past experience of agrarian transformations in the PRC, the negative lessons of which served as the foundation for devising a new and different agrarian policy and for the implementation of the changes taking place today in the Chinese village in the course of the reform of the country's economic system. The change in the organizational economic structure of the village since the end of the 1970s has been reflected in the dissemination of individual forms of production responsibility, as a result of which about 98 percent of the production teams were using the family contract form as early as by the end of 1983.<sup>10</sup> Receiving land under long-term lease and the ownership (via purchase or division) of the agricultural equipment belonging to the production teams, as well as the right to dispose freely of the products produced after the fulfillment of state and collective obligations, the peasants have made their labor activity considerably more active. The production of grains alone increased by roughly a third over the 1978-86 period thanks to this.<sup>11</sup> Today in the PRC they are warning against the artificial acceleration of the process of collectivizing farms and premature repeated production cooperation. Cooperation in the sphere of sales and supply, transport services and credit with the simultaneous escalation of specialized households into farm-type establishments is considered by many economists as the most promising path for developing the country's agriculture.<sup>12</sup>

The historical experience of socialist construction confirms the necessity of an economically substantiated approach to such types of activity as small individual cottage industry and traditional subsidiary home trades. Their formal collectivization via willful acts suppresses the production activeness of the immediate participants in the labor process and inflicts direct harm to the development of productive forces. This is especially noticeable in those countries that are experiencing an acute lack of financial, material and technical resources. The use of the production potential implicit in the types of economic activities cited on the contrary makes it possible to mobilize existing resources and make a material contribution to the ascent of the economy. Stimulating the development of individual economic activity is all the more important, as by the nature of the products being created it aids in satisfying the paramount vital needs of the workers, filling in the multitude—especially at first—of gaps in public forms of production and weakening shortages existing in the

economy, thereby reinforcing the social base of transformations. Whereas accelerated transformations in the sphere of ownership had in the past actually led in the PRC to the elimination of cottage industries, small collectives and individual enterprises, today active steps to develop such farms is aiding in the solution of the problem of employment, maintaining and developing trade skills and improving public support in providing it with goods, as well as increasing export opportunities for the country.

At the same time, the individual development that is being engendered today (and this is being noted by the Chinese press), after long years of complete collectivization that led to the loss of the inherent roots of development, is also giving rise to negative phenomena in the social life of the country. These are speculation, enrichment unsuited to the labor contribution, the upward ratcheting of prices, concealment of income, growth in the theft of state property and the like. Solutions to the problems that are arising are proposed with the aid of an active tax policy and efficient monitoring measures. Analogous steps should also be employed in relation to those individual farms that have already grown into relative major private enterprises according to their parameters (magnitude of capital invested, quantity of hired workers, size of profit). It is felt herein, however, that the contribution that such enterprises are making to the development of the country's productive forces is markedly more important than the harm inflicted by "non-socialist elements in socialist reality."

The proportionate share of individual and private farms in the overall economic indicators of the country is not large, but they are developing very rapidly. According to official data, there were 11.7 million individual enterprises in the PRC as early as 1985, of which over half were trade enterprises, and the rest were in the sphere of services, public catering, transport and repair-and-construction services. The share of individual farms was 0.6 percent of gross industrial product and 16.3 percent of the country's retail sales in 1986, while the growth rate of these indicators for the individual sector was 150 and 110 percent and 60.6 and 21.7 percent respectively.<sup>13</sup>

The 13th CPC Congress advanced the further development of a multitude of forms of farm ownership with the preservation of the leading role of public ownership as one of the principal tasks for deepening the reform of the economic system. It was noted that today other economic institutions (aside from nationwide ownership) are not being developed at all excessively and, on the contrary, their development is inadequate. It was pointed out that diverse forms for public ownership itself should be created at the same time as the development of cooperative, individual and private farms is encouraged (as for state-capital and capitalist ones). The discussion concerns the formation of enterprises that are the common property of the state and individual collectives, as well as the development of such types of farms where various regions, sectors and enterprises are stockholders.

Private farms using hired help are described in the congress materials as an economic institution actually existing in the country; the congress emphasized therein that public ownership is proving to have a great economic influence on it. As practice shows, state the congress documents, the development of private farms is to a certain extent "an essential and useful supplement" to public production, since it is favorable for its development, for the re-animation of the market, the expansion of employment and the satisfaction of the all-round vital needs of the population.<sup>14</sup>

The new treatment of the question of commodity relations under socialism is being described as a "radical breakthrough" in economic theory in the PRC today. The recognition of the necessity and naturalness of their development under socialism was the result of sharp and heated discussions; the advancement of development provisions on the basis of public ownership of a planned commodity economy at the 12th Convocation of the 3rd CPC Central Committee Plenum (October 1984) "shattered the dogmas borrowed from books that a socialist economy is not a commodity economy."<sup>15</sup>

An "intermediate" stage was passed through along the way to the recognition of a socialist economy with planned commodity economics: earlier, at the 12th CPC Congress (1982), the principle of the "guiding role of the planned economy with the auxiliary role of market regulation" had been formulated. Without later repudiating the principle of "planned economy first, market regulation auxiliary," Chinese economists have nonetheless gradually moved toward affirming that an orientation only toward "improving the planned centralized model of the economy" in which market regulation will occupy a subordinate position, while "vertical regulation" remains the main thing, will not ensure the truly efficient functioning of the economy. It is therefore essential to create a system of planned commodity economics that will have as its foundation "horizontal" market regulation with plan guidance and management at the macro level.<sup>16</sup>

Insofar as a commodity economy assumes the presence of economic ties among various owners, the basis for its rejection under socialism was the actual absence in the PRC—as a result of universal collectivization—of other forms of ownership besides public ownership. As long as there are not various subjects of ownership, there cannot be commodity relations. The process of transformation that is taking place in ownership relations in the PRC today is also connected with the creation of diverse forms of farm ownership, doubtless markedly expanding the sphere of action of money-exchange relations. It is no accident that the reform of ownership relations is considered as the "point of departure" of the whole reform in the PRC, with which both the basic difficulties and the principal "yields" of the reform are associated.<sup>17</sup>

Chinese economists are pointing out that it is essential, in reforming the operational economic system, to build an ownership structure corresponding to a commodity

economy, taking public ownership as the foundation. Insofar as the nature and socio-economic substance of money-exchange relations under any formation are determined by the reigning type of industrial relations, the substance of money-exchange relations in the PRC is conditioned by their inclusion in a unified and integral system of socialist industrial relations in which the ruling position is held by public ownership of the means of production. Chinese scholars note at the same time that it is important for the development of a planned commodity economy not simply to multiply the types of ownership through the appearance of new forms, but also the implementation of a redistribution of the right of ownership within the framework of public ownership itself. Enterprises should be transformed into really independent producers with their own interests and wholly responsible for the results of their operations—both profits and losses.<sup>18</sup>

A commodity economy in the PRC, Chinese scholars feel, is called upon to resolve specific tasks connected with the fact that China has not passed through the stage of capitalist development of commodity production, while the tasks performed by this form of economics must necessarily be resolved.<sup>19</sup> They see the difference between a socialist commodity economy and a commodity economy under capitalism as the presence of public ownership of the means of production, distributions according to labor and the planned organization of public life. In describing a commodity economy as a phenomenon typical of various social formations and considering its fate, Chinese economists also turn to the statement of K. Marx in *Das Kapital* that "the production of goods and the circulation of goods is a phenomenon characteristic of the most diverse means of production, although the amount and value of them are far from identical."<sup>20</sup>

One condition for the successful development of a socialist commodity economy is the formation of a unified socialist market in the country. The discussion concerns not only a market for consumer goods, but the creation of markets for capital goods, funds, technology, information and, partially, manpower as well. Their prices should be determined depending on supply and demand. The first steps in the organization of such markets have already been taken. The Chinese press has reported that in connection with the expansion of the sphere of the capital-goods market, the share of centralized distribution of rolled metal has declined from 56.9 percent in 1985 to 53.1 percent in 1986, 50.4 to 42.3 percent respectively for coal, 19.4 to 16.2 percent for cement and 30.7 to 30 percent for timber. Over 400 markets and commodity centers have been created in the country selling capital goods whose scope of activity increased by 47.7 percent in 1986 alone, at the same time as the volume of material and technical resources sold by state organs increased by just 10.7 percent. The absolute indicators of the sales volumes of capital goods through the organs of material and technical supply and through markets and commodity centers, however (118.3 billion

and 15.8 billion yuan in 1986), gives a more realistic depiction of the degree of development of the capital-goods market under the conditions of a shortage economy in the PRC.<sup>21</sup> It is no accident that the Chinese press sometimes complains that they are saying more of the market in the PRC than it is still poorly broken down and that it is namely the lack of development of the market that is bringing to naught efforts to raise the operational economic independence of enterprises.

The 13th CPC Congress posed the task of "accelerating the creation of a system of socialist markets" including not only a market for consumer goods and capital goods, but markets for monetary resources, services, equipment, technology, information, fixed assets and other most important components of production. It is being emphasized herein that a market system needs "competitiveness and openness" in order to facilitate the activation of domestic sales turnover and greater efficiency in international trade. The creation of a market system is connected with the implementation of price reform; it is assumed that the state will set prices only for the most important goods and services, and the remaining prices will be regulated by the market. Price reform should be combined with the regulation of population income so as not to allow reductions in the living standards of the workers, but rather to provide for a rise in them to the extent of growth in production.<sup>22</sup>

In the PRC they are also calling another "breakthrough" in the economic theory of socialism the refusal to stipulate providing for the satisfaction of the needs of society using its own resources and affirming the idea of the necessity of forming an open economy "tied in to international competition." The "opening" of the PRC to the outside world and those forms of state capitalism and capitalism whose creation would facilitate it, as is emphasized, have the aim not of peacefully displacing capitalism, as it was in the 1950s, but rather the more widespread utilization of the technical and managerial experience of the developed capitalist world for the modernization of the country, the more so as this policy is reckoned for the long term.<sup>23</sup>

Steps aimed at "opening the PRC to the outside world" have followed one after the other in recent times: the establishment of four special economic zones in the southeastern part of the country in 1980, the opening of 14 port cities along the coastline to foreign capital in 1984 and the creation of three special regions of technical and economic development in 1985. By the designs of the Chinese leaders, the special economic zones and coastal cities, "united along one line on the coast," should form a "forward zone open to the outside world"; not only will the economic development of the coastal regions be accelerated thereby, but the "pulling along" of the inner regions will be accomplished as well via the borrowing of progressive achievements in technology from the developed capitalist countries, the dissemination of experience in scientific management, the transmission of economic information, the training of personnel and the like.<sup>24</sup> The organization of special zones

naturally helps in the accumulation of the foreign currency so essential to the PRC. Some 7,738 enterprises were founded in the PRC over 1979-86 with the participation of foreign capital, including 3,210 mixed and 4,390 cooperative enterprises along with 138 enterprises wholly affiliated with foreign capital (roughly half of all enterprises have already entered service); 277 mixed enterprises have been created by the PRC in various areas of the world; 67 Chinese companies are engaged in organizing the construction of facilities abroad and the export of manpower etc.<sup>25</sup>

In defining the significance of the greater "openness" of the economy, they write in the PRC that this makes it possible to "utilize the achievements of other countries to eliminate shortcomings at home," making use of two sources of funding—domestic and foreign—and to manage the domestic economy and foreign economic activity and assimilate two types of markets—domestic and world markets. The basic tasks of development of the special economic zones are seen as follows: attracting leading foreign technology, knowledge and managerial experience; ensuring growth in foreign-currency receipts and the assimilation of the world market; conducting experiments in the realm of operational economic reform and summarizing their results, which, it is felt, will make it possible to select the most suitable ones for utilization within the country; the training of skilled personnel and their education in progressive methods of conducting business along with their assimilation of modern technology; finally, the special zones are considered "windows" to the outside world.

In calling intrinsic accumulation the foundation of economic development, and foreign capital "an additional factor," they were emphasizing the necessity of new forms and methods of work in the organization of special economic zones with "the preservation of the unchanging nature of the foundations of socialism" in the PRC as early as at the beginning of the 1980s. Preference among the forms for attracting foreign capital is given to direct investments; three types of enterprises are being created: mixed, presupposing joint management and reciprocal (proportionate to the contributions) responsibility for profits and losses; cooperative, where both parties are independent legal entities, while their rights and obligations are determined not by the proportions of the contributions, but by the terms of the contract; and wholly subsidiary to foreign capital, with complete autonomy in the realm of the management of business activity.

One specific feature of mixed enterprises is the fact that only a minimum share of participation (25 percent) for the foreign partner has been determined with no upper limit. Operating conditions for enterprises using foreign capital provide for a progressive scientific and technical level of production and the sale of the products in the foreign market. Special preferential policies have been devised in relation to foreign investors operating in the special economic zones that envisage low tax rates (15

percent versus 30 percent in other regions of the country) and some other privileges in income taxes, low (several times less than in Hong Kong, for instance) lease payments for land, some advantages in the collection of workers and the determination of their wages, in the realm of product sales, foreign-currency operations and the simplification of various formalities in the course of negotiations and in the concluding of contracts.

Corrections are made efficiently in the policy of "openness" of the economy in relation to the outside world depending on the results obtained, the specific causes of drag on the activity of the capitalist partners are being eliminated and the like. A search is underway at the same time for new forms for attracting foreign capital. Among the results of this search were the creation of the first large joint-stock company in 1983 and the organization of the first joint bank in 1985. Definite advantages compared to other forms of collaboration are seen in the joint-stock form, where the maximum share level of the participation of foreign capital is strictly regulated (49 percent); the possibility of accumulating the free monetary resources of private individuals and enterprises within the country, the greater attractiveness of this form for foreign partners in view of its familiarity, a lesser degree of risk and greater clarity in the distribution of income among others. In noting the positive aspects of the "open" policy, the Chinese press is also expressing a certain dissatisfaction with its results. Among these shortcomings are the weak direction of foreign investments in the industrial-production sphere and the insufficiently high level of technology supplied by the partners in a number of cases; the vested interest of capitalist partners in collaboration has proved to be lower than anticipated; the market competitiveness of the goods produced in the special zones is often low.<sup>26</sup> The search for more efficient solutions continues.

Great apprehensions are elicited by the degenerative influence of the bourgeois way of life in the country, the growth of contraband, foreign-currency speculation and the like. The question of the danger of the restoration of capitalist ways where elements of capitalist economics are in widespread use today is being posed at the most varied levels in the PRC. Deng Xiaoping has recognized the "presence of grounds" among those who are expressing alarm on the score of the possibility of the capitalist degeneration of China, at the same time citing as the main conditions for following the socialist path as the preservation of public ownership as the foundation of the economy and the impermissibility of class stratification in society.<sup>27</sup>

In noting the success that have been achieved in the pursuit of the "open" policy, the 13th CPC Congress posed the task of even more boldly gaining access to the arena of the world economy, selecting the correct strategy for imports and exports and the use of foreign capital, expanding technical and economic cooperation and trade exchange with various states of the world, including the developed and developing countries, and

creating even more favorable conditions for raising the efficiency of the economy and accelerating technical progress in the PRC. Possibilities for raising the market competitiveness of the country's export production are linked with active access to the world arena. The necessity of further reinforcing and developing the already extant structure of the "special economic zones—open coastal cities—open coastal economic zones—inner regions of the country" ties is also being stressed. Especial attention is being directed toward the formation of horizontal business associations in the open regions and cities with the inner regions of the country, and the expansion of the role of the former as "bases and windows of the open policy" is fully planned.<sup>28</sup>

Pointing out that contemporary China is in the "initial stage of socialism," typified by the backwardness of productive forces and the undeveloped nature of a commodity economy, the 13th CPC Congress defined the "lead policies" for the future as follows:

- concentrate efforts on accomplishing the modernization of the country, seeing the development of productive forces as a fundamental task of socialism;
- adhere to global reform proceeding from the fact that socialism moves forward in the process of reform;
- reduce to the utmost the lag behind the developed countries, adhering firmly to the expansion of foreign ties;
- develop to the utmost a planned commodity economy with the preservation of the lead role of public ownership;
- apply efforts to construct a political democracy and correctly resolve contradictions among the people, having as preconditions the stability and cohesion of society;
- create a spiritual culture based on Marxist theory to the utmost.

Emphasizing the irreversible nature of the reforms and the importance of accelerating and deepening them, the 13th CPC Congress thus defined the "basic line" of the party as "the construction of socialism with the specific nature of China": *"to lead and unite the multinational people of China in the struggle to see that, in putting economic construction at the focus of attention, the four basic principles<sup>29</sup> are firmly defended, firmly adhering to the reforms and firmly expanding foreign intercourse, relying on our own manpower and working selflessly, to transform our country into a rich, powerful, democratic and civilized contemporary socialist state."*<sup>30</sup>

The resolution of these tasks of "socialist modernization," as noted in the report of Zhao Ziyang to the 13th CPC Congress, is assumed in the middle of the next century.

Footnotes

1. RENMIN RIBAO, 4 Nov 87.
2. See: RENMIN RIBAO, 7 May, 17 Oct 86; LILUN XINXIN BAO, 20 Jan 86; Beijing Review, 9 Sep 86.
3. HONGQI, 1986, No 14.
4. RENMIN RIBAO, 4 Nov 87.
5. Ibid.
6. See: JINGJI YANJIU, 1987, No 7; Beijing Review, 9 Dec 85.
7. See: JINGJI RIBAO, 14 Jul 87.
8. RENMIN RIBAO, 4 Nov 87.
9. See: JINGJI RIBAO, 4 Jan 86; RENMIN RIBAO, 30 Mar 86; GUANGMING RIBAO, 22 Nov 86.
10. BEIJING RIBAO, 9 Feb 84.
11. RENMIN RIBAO, 20 Feb 87.
12. GUANGMING RIBAO, 24 Dec 82; RENMIN RIBAO, 28 Dec 82, 21 Feb 84, 13 Nov 85, 4 Apr 86.
13. RENMIN RIBAO, 23 Feb 86, 20 Feb 87; Beijing Review, 24 Feb 86; China Daily, 20 Sep 85.
14. RENMIN RIBAO, 4 Nov 87.
15. SHIJIE JINGJI DAOBAO, 1987, No 1, pp 2-3; see also JINGJI RIBAO, 14 Jul 87.
16. See: JINGJI RIBAO, 4 Jan 86.
17. JINGJI YANJIU, 1986, No 9, p 32.
18. See: GUANGMING RIBAO, 10 Oct 87.
19. See: RENMIN RIBAO, 23 Jan 86; BEIJING RIBAO, 27 Jul 87.
20. K. Marx and F. Engels. Works, Vol. 23, p 124.
21. See: RENMIN RIBAO, 20 Feb 87.
22. See: RENMIN RIBAO, 4 Nov 87.
23. See: RENMIN RIBAO, 30 Mar 86; JINGJI RIBAO, 14 Jul 87.
24. RENMIN RIBAO, 8 Jun 84.
25. China Daily, 24 Jan 87.
26. JINGJI RIBAO, 11 Nov 85.
27. Deng Xiaoping. Building Socialism under the Specific Conditions of China. Peking, 1987, p 99 (in Chinese).
28. RENMIN RIBAO, 4 Nov 87.

29. The "Four Basic Principles" signify adherence to the socialist path, the democratic dictatorship of the people, the leadership of the Communist Party, and Marxism-Leninism and the ideas of Mao Tse-Tung.
30. Zhao Ziyang. Forward on the Path of Socialism under Specific Chinese Conditions.—KOMMUNIST, 1988, No 1, p 114; see also RENMIN RIBAO, 4 Nov 87.

COPYRIGHT: "Narody Azii i Afriki," Glavnaya redaktsiya vostochnoy literatury, 1988

**Arabian Oil Monarchies Banking Problems in 1980s**

18070001 Moscow NARODY AZII I AFRIKI  
in Russian No 3, May-Jun 88 pp 84-90

[Article by Andrey Aleksandrovich Maksimov, candidate of economic sciences and senior scientific associate of the USSR Academy of Sciences Oriental Studies Institute: "The Debt Crisis of the Arabian Oil Monarchies"]

[Text] One of the most profitable spheres of the economies of the Arabian monarchies in the 1970s and the beginning of the 1980s was the rapidly developing system of private commercial banks. National banking systems were formed here over a historically short period of time and played an ever greater role in financing the activity of the private sector. Kuwait and, to a lesser extent, the United Arab Emirates [UAE], were transformed into major international financial centers in the Near East.

The considerable and prolonged reduction in the petroleum income of the Arabian monarchies in 1982-87, however, halted this development, and the subsequent economic recession revealed many structural problems in their banking systems, showing that the constant expansion of the activity of private commercial banks was of a largely artificial nature. Beginning in 1984, practically all the banks of the Persian Gulf countries were reporting drops in profit or growth in losses, frequently refusing to pay dividends to their stockholders. All the commercial banks in Saudi Arabia in the 1984-85 and 1985-86 fiscal years registered serious declines in income, and two reported losses. Their average profit levels declined by 3.3 times. For the first time in their history, four mixed Saudi banks left their investors without dividends in 1985. The profits of Kuwaiti commercial banks in the 1984-85 fiscal year declined an average of 56 percent. The largest bank in the UAE—the National Bank of Abu-Dhabi—was unable to pay dividends for the second year in a row, and its profits fell by 66 percent. The situation was analogous with the other banks of the UAE. Against this background, the situation was relatively favorable in Qatar. But the crisis encompassed, although not in equal measures, the national banking systems of all the Arabian countries. Kuwait thus entered the crisis phase in 1982-83, Saudi Arabia in 1984, and the turn of the UAE came in 1985.<sup>1</sup>

The basic cause of the worsening results in banking activity was the sharp rise in "non-performing debt"—i.e., the indebtedness of clients who could not or would not pay their debt. Bank losses on the "overdue loans" line increased sharply as a result. The indebtedness of the private sector to banks totaled 17.5 billion dollars in Kuwait at the end of 1985, of which 5.2-7 billion dollars should be relegated to "non-performing debt." In Saudi Arabia at the end of 1985 it comprised, according to the estimates of SAMA (The Saudi Arabia Monetary Agency—the country's central bank), 20-25 percent of the total indebtedness of private companies to banks of 17.23 billion dollars. The losses of commercial banks from deferments of agreed payments increased by 61.3 percent as a result (by 5.6 percent in 1983-84). Total deferred loans totaled 1.1 Saudi riyals. In the UAE, in the estimate of their Central Bank, the total of deferred loans totaled roughly 3 billion dollars out of a total sum of private-sector indebtedness of 9.2 billion dollars in 1985 alone.<sup>2</sup> The size of the "non-performing loans" continued to grow everywhere in 1986-87.

This state of affairs in the banking sector is explained not so much by reasons of a competitive market nature (economic recession) as by reasons of a structural nature, and is a consequence of the activity of bank capital in the preceding period. A considerable portion of the loans granted went to finance speculative operations in land, real estate and stocks along with the consumer spending of the Arabian bourgeoisie. The unique nature of the national "personified" capital consists of the fact that it acts chiefly not in the production sphere, but in the sphere of sales turnover and the principal forms of its activity (mediation between the state and private capital, speculation in real estate and securities) are secondary in relation to the production of surplus value.<sup>3</sup> The speculative operations of the national bourgeoisie, however, were based on calculations of constant growth in income from oil and a continuation of the "oil boom," and they suffered a systematic collapse with the decline in the size of oil leases payable by the Arabian monarchies. The exchange rates of stocks in local stock markets fell sharply, and prices for land and real estate spiraled downward. The value of land and other real estate in the Persian Gulf countries fell an average of roughly 50-60 percent a year over 1984-86.<sup>4</sup> A series of inevitable bankruptcies followed. The discussion moreover did not concern small and medium-sized businessmen alone—hard times also ensued for the best known Arabian firms. In Dubai (UAE), the Galadari empire (banks, hotels, commercial and trade centers) collapsed like a house of cards. The members of the Saudi Shubukshi family were more than 400 million dollars in debt to banks, after which all payments were ceased. The financial might of the two best known Saudi businessmen—G. Faraon and A. Khashoggi—is also being ruined. And whereas G. Faraon had the chance to sign a major agreement with over 50 banks to re-organize his indebtedness of over 340 million dollars, many of the capital investments of A. Khashoggi, including abroad (in Canada and the United States) are frozen at the demand of creditors in

accordance with court decisions. Khashoggi's situation is further complicated by his involvement in the Irangate scandal.<sup>5</sup>

A clear example of the ruin of securities speculation in the Persian Gulf countries is the fate of the Suk-el-Manakh (Kuwait), the unofficial and largest securities market in Arabia. This market had developed actively since the second half of the 1970s in parallel with the official stock and bond markets that existed since the beginning of the 1960s. During the "oil boom" and increasing incomes, many businessmen in Kuwait and other Arab countries were seeking additional opportunities for capital investment that circumvented the limitations that existed in the official markets (and especially the establishment of new companies). The volume of operations in the Suk-el-Manakh increased rapidly under these conditions. Various measures of state regulation, tax legislation and currency control in fact did not extend to the deals concluded there. At the same time, this market enjoyed tacit support among many government representatives, since they themselves were involved in major speculation. Many deals were fictional, and their participants used overdue obligations or the stocks of companies that existed only on paper. With the fall of oil prices in 1982, this gigantic soap bubble popped and the market proved to be flooded with all sorts of fictitious checks and obligations in the sum of over 95 billion dollars, which was almost four times greater than the whole GNP of Kuwait. The country's economy was immediately seized by a deep crisis from which it has yet to emerge. From 32 to 37 of the 47 companies actually existing whose stocks were permitted for trading on the official (not the underground) exchange of Kuwait went bankrupt. Some of these companies were later able to stay afloat, but only thanks to government assistance.<sup>6</sup>

There were no financial scandals on this scale in the other Arabian countries, although they were unable to avoid the sharp decline in stock prices. In Saudi Arabia, stocks worth 264 dollars at the beginning of the 1980s had fallen to 82 dollars by 1986, and the stock price of the Saudi-American Bank declined by 3.2 times. SABIC (the largest state company in heavy industry) fell by 1.7 times. Over the course of 1985, the stocks of Persian Gulf countries fell by over 7.3 billion dollars in market value, and their value was just 26 percent of the 1983 level.<sup>7</sup>

The fall in land values, real estate and the securities in circulation in the Arabian monarchies proved catastrophic for those who had pledged them as security for loans and used the funds they had obtained for speculation or consumption and were unable to pay by 1985. The commercial banks are even more indebted to no small extent to unskilled leadership for such strong dependence on the success or failure of speculative operations. Some 87 percent of the loans granted in Kuwait in 1985 went to 2 percent of the borrowers. The bank directors themselves were constantly launching operations of a doubtful nature, borrowing large sums



from the funds they managed without the necessary material support for the indebtedness. The amount of personal borrowing by bank directors in Kuwait totaled 965 million dollars by March of 1985. If we include here the indirect borrowing as well—through relatives or companies they controlled—the sum would be almost double. The Saudi Arabian Bank suffered losses of 105 million dollars as a result of speculation by its former general manager.<sup>8</sup>

The appearance of "non-performing debt" and growth in the amount of overdue loans in and of itself does not testify to the poor efficiency of this or that banking system. The solvency crisis of the developing countries in 1982 was comparable in scope with the crisis in the oil monarchies, but the international banking system was ultimately able to handle it at the time, and not without some profit to itself. The misfortune is that as opposed to the developed capitalist countries, the banks of the Arabian monarchies could not re-organize the indebtedness of temporarily insolvent clients with any advantage or without losses to itself via charging higher interest rates on overdue loans. The Islamic code of laws (shari'a) that is in effect in these Muslim countries bans in principle the charging of interest as a sinful operation. The discussion, however, concerns not a complete ban on interest, but just a ban on sufficiently high levels of it. The activity of the banks in Kuwait and Abu-Dhabi is thus linked with the law on the maximum possible interest rates.<sup>9</sup>

Under the conditions of the "oil boom" of the 1970s and beginning of the 1980s, the principles of Islamic economics did not contradict the activity of the banking system. Many of the residents of the Persian Gulf countries, under the influence of the ideas of Islam, moreover made interest-free deposits at the same time, thereby giving the banks enormous free funds and ensuring a high level of profit for them. Any most complex banking operation, including interest, could furthermore be broken down into a series of simple components and redesigned in such a way that they all conformed to basic Islamic trading principles. The application of such compromise solutions, however, required the presence of good will among both creditors and borrowers.

In recent years many debtors of the Arabian commercial banks have tried to avoid or reduce their payments on loans obtained earlier using the provisions of the shari'a. The inability of the courts to force the payment of interest, especially at increased rates in connection with the re-organization of overdue loans, is actually in accordance with the shari'a, but it is having an extremely negative effect on the situation of the banks. All suits initiated by debtors against banks in Abu-Dhabi in 1984-85 were lost by the latter. In Saudi Arabia, in the event a bank appeals to a court of shari'a (and there are no others there), one mention of interest leads to the defeat of the creditor. At the same time, many bank clients, under the conditions of reduced income, are

moving their deposits into interest-bearing deposits or are withdrawing their money altogether, thereby limiting the banks' freedom of maneuver.

To this could be added that in the Arab banking systems, which appeared and developed on the basis of oil income, there is virtually no regulation in practice of solvency or any other legislation regulating the procedure for settling complaints. The banks thus usually waited 12 months after payments, taking no action whatsoever against the borrowers, and confiscation of assets was until recently an exceedingly complex and prolonged procedure.

The state is making enormous efforts to aid in overcoming the consequences of the profound crisis in the banking system. These measures include large stock purchases by the state, direct financial assistance to banks, attempts to regulate legally the actions of banks in the event of an insolvent client, the legalization of the use of interest that would suit the banks, and improvements in bank management; steps are also being taken aimed at eliminating obstacles impeding the expansion of commercial credit by the private sector.

The most broad-scale government programs are being implemented by Kuwait. This country required several years, over 10 billion dollars and the dissolution of the National Assembly (which was in a number of cases against the allocation of funding) in order to reinforce the position of the local private companies and banks somewhat. The government spent some 7 billion dollars in 1984 to support stock prices within the framework of a program to stabilize the economy. This had an inconsiderable effect, however, since the private sector immediately shipped the financial resources it obtained abroad. Over 1983-84 alone, the export of Kuwaiti private capital exceeded 12 billion dollars. At the end of 1985, a new government program was begun in the course of which insolvent companies were dissolved, the merging of others and reductions in the capital of other companies were carried out. According to some estimates, this required another 1.8 billion dollars. Finally, in December of 1986 the government announced the allocation of 2.2 billion dollars for acquiring land to strengthen the economy and raise real estate prices. This could lead to a revival of demand and an increase in the value of fixed assets used by bank debtors as material collateral for their debts.<sup>10</sup>

The state is also rendering direct financial assistance to banks. The government of Kuwait has deposited roughly 1.7 billion dollars at favorable rates in private banks. SAMA is making massive interest-free deposits in the commercial banks of Saudi Arabia. The Saudi Arabian Bank, after the failed speculations of its former leadership, was saved in just this fashion. The bankrupt UAE National Bank was bought out in timely fashion by the family of the emir of Dubai so as not to permit a "chain reaction" of bankruptcies in the banking system of the whole country.<sup>11</sup>



SAMA is encouraging the re-organization of loans by the banks—according to recent legislation, overdue loans are not subjected to taxes. Steps are being taken to provide for overall monitoring of the situation: since 1985 the commercial banks have had to report to SAMA all instances of overdue loans. Analogous solutions also exist within the UAE. The Saudi Arabian Ministry of Trade promulgated a bankruptcy law at the end of 1985 which considerably eased the procedure for banks to confiscate the property of insolvent debtors; a corresponding code of rules regulating the procedure for settling creditor claims against debtors was also adopted. The government of Saudi Arabia officially transferred operations with stocks from the hands of private dealers to the commercial banks as early as at the end of 1985 in an attempt to avoid a collapse of the stock market similar to the one that occurred with Suk-el-Manakh. In 1984-86, under the existing system, stock departments of local bank divisions received client orders to buy or sell stock and transmitted them to the central office in Riyadh. The latter then turned to other banks with an order to carry out the necessary deal. This system, in the opinion of SAMA, makes it possible to monitor stock and securities operations and avert speculation in them.

In Kuwait, the state for the first time made use of its right as one of the principal bondholders of the country's commercial banks: the leadership of the majority of the banks was replaced, and the government designated its own representatives to all of the boards of directors of the banks in which it held no less than 10 percent of the stock.

SAMA is trying to create a legal official mechanism for charging interest. The agency has formed its own arbitration council which has received official status by royal decree. It was proposed to the banks that they include caveats in the credit agreements ahead of time that bind the parties, in the event a claim arises, to appeal to the arbitration board rather than a shari'a court. This is a half measure, of course, since the debtor as before has the possibility of using the services of the shari'a court with all of the attendant consequences, but it is undoubtedly a step toward the legalization of interest.

Positive shifts in this direction can also be noted in the UAE. The banking circles of the emirates welcomed the unprecedented decision of an Abu-Dhabi court on 26 May 86 that decreed that the federal civil code did not rule out the payment of interest on bank loans. This is, of course, a private case: the case was brought by an army officer against a local bank; before, however, the court had always held in favor of the debtors, and the banks had been forced to reduce the amount of interest payments.<sup>12</sup>

The effectiveness of such measures remains low as yet: the growth of "non-performing debt" continued in 1986 and in 1987. Only in Kuwait has the stock market revived somewhat since July of 1986: the al-Shell stock index, calculated by a local consulting firm, had risen from its minimum level of 25.5 in June of 1986 (31 Dec

83 = 100) to 38.8 by the end of the year. The market value of stocks in the Kuwaiti market had increased by more than 40 percent—to 10 billion dollars—as a result. In the opinion of specialists from the al-Shell firm, however, the expensive government steps to revive the economy are hardly able to bring about a real and growing demand for stocks, and in the medium- or long-term future could even have the opposite effect.<sup>13</sup>

The Saudi securities market has still been unable to get out of its state of total stagnation. In the absence of a centralized system of information, the system adopted by SAMA for the purchase and sale of stocks has proved to be completely ineffective. The agency, having become convinced of this, opened an official stock exchange in Riyadh in May of 1987 for the first time in the history of the kingdom, and it will operate on the auction principle.<sup>14</sup> It has yet to prove its effectiveness at reviv- ing the market, however.

Attempts to legalize interest have also had an insignificant effect in legal practice. The 3rd Annual Conference of Saudi Businessmen (March of 1987) sharply criticized the time required for considering the majority of credit disputes: over 500 cases have accumulated in SAMA and the shari'a courts associated with the insolvency of bank debtors. The aforementioned arbitration board of SAMA, although it is not a legal entity, has received certain specific rights. It can freeze the bank accounts of bad bank clients or stop payments to them by the financial institutions of the state sector, limit the trips of debtors abroad and appeal to government institutions with recommendations to halt any business dealings with specific individuals. It is assumed therein, true, that the principal task of the committee will be seeking a mutually acceptable agreement, and not the resolution of the dispute through litigation. The debtors moreover retain the right of protesting the decision of the committee and appealing to higher levels of authority, right up to the king himself.

The last step of SAMA in its offensive against Islamic economic principles was the abrogation of the ban on mortgages. (This ban is explained by the fact that charging interest on mortgages contradicts the shari'a.) The abrogation of the ban expanded the possibilities for material collateral for loans, which is very important under conditions of bank mistrust of its own clients. Only cash or securities could be pledged as collateral in Saudi Arabia before March of 1987.<sup>15</sup>

In 1987 some growth in oil income in the Arabian monarchies, a certain economic revival and the government steps to surmount the financial difficulties led to a weakening of the acuity of the crisis in the banking systems of those countries. At the same time, a marked slowdown in the growth rate of bank credit, especially in the private sector, is evidently a consequence of this. This could seriously undermine the hopes of the ruling circles that a considerable portion of the burden of

financing the capital investments for the development plans adopted under conditions of a reduction in state spending would be taken up by the private sector.

The new five-year development plans of the Arabian monarchies envisage the rapid growth of small private enterprises. One can hardly count on the support of the commercial banks for this part of the state strategy, however: having run up against acute problems in their operations with large debtors, the banks will not go in for collaboration with small companies without additional state guarantees and benefits.

The banks are trying at the same time to expand the scope of their own operations abroad, since, on the one hand, notwithstanding the slowdown in the rate of deposits, the banking sector is distinguished by a high level of liquidity as before; on the other hand, the best results and stability are demonstrated by namely those banks that are conducting large operations in the international markets. An example is the National Bank of Kuwait: the results of its activity are invariably much better than the indicators of competitors. This is explained by the fact that 36 percent of its loans are placed abroad.<sup>16</sup>

By virtue of the circumstances described above, foreign banks will undoubtedly reduce the volume of their operations in the Arabian monarchies—they are taking considerable losses there and obtain state support only to a minimal extent. Foreign bondholders in Arabized banks are reconsidering the issue of their presence in those countries, and many, according to reports in the Western press, are not renewing management agreements.

The Arabian monarchies are more and more losing the role of international financial center. The crisis in the internal credit market has thus led to the fact that the annual securities sales turnover in Kuwait in 1986 was valued at just 20-30 million dollars, while securities worth 1.5 billion dollars were sold over a single week of April 1982.<sup>17</sup>

Attempts to legalize interest in the financial practice of the Arabian states are rife with the danger of worsening the contradictions between the traditional and the modern in Arab society. The forced actions of the central banks of these countries will undoubtedly evoke the resistance of the religious groups of the monarchies.

The crisis of the banking systems in the oil monarchies of Arabia in the 1980s overall is a natural result of their development in the 1970s and the beginning of the 1980s. It is having a contradictory influence on the prospects for their development. On the one hand, the conditions for the activity of the Arab commercial banks are brought somewhat closer to the conditions of the activity of the bank capital of other countries of the capitalist world. The profit standards of Arabian banks are now wholly acceptable if they are compared with the average world level, but they are far from the record levels of the 1970s and beginning of the 1980s. The ratio

of net profit to assets of Saudi banks in 1986 was thus 0.36 percent (0.72 percent in 1985), which is comparable with the 1985 level of 0.48 percent in Switzerland, 0.58 percent in the United States and 0.70 percent in Great Britain, but is 7.2 times less than the profit norms of Saudi banks in 1982.<sup>18</sup>

This tightening of the conditions for the functioning of the banking systems in Arabia will lead to a certain displacement of the non-viable capital that grew in the oil income of the 1970s and beginning of the 1980s, but it will ultimately raise the real market competitiveness of the Arabian banks.

On the other hand, the development of these trends is impeded by the practice of resolving the problems that have accumulated at the banks primarily with the aid of the state. Private capital will demand from it the creation of special greenhouse conditions and aid in overcoming debt difficulties in the future as well—at the expense of state subsidies. The oil depression that continues in the world market along with the rapid reduction of foreign assets that had been accumulated earlier are moreover seriously limiting the financial opportunities of the state compared to the recent past, which is creating a potential basis for conflicts between it and private capital.

#### Footnotes

1. Middle East Economic Digest (henceforth—MEED). London, 1986, No 19, p 34; No 21, p 31; No 22, pp 6-8; No 25, pp 4-5.
2. MEED, 1986, No 22, pp 6-8; MEED. Special Report, 1986, May, p 12; The Financial Times, 22 May 86, p 7.
3. See: RABOCHIY KLASS I SOVREMENNYY MIR. Moscow, 1985, No 5, pp 96-108.
4. Middle East Report (henceforth—MER). London, 1986, No 139, p 48.
5. Ibid., p 40; MEED, 1987, No 3, p 10.
6. MER, 1986, No 139, pp 40-48.
7. MEED. Special Report, 1986, April, p 24; May., p 15; MEED, 1986, No 23, p 24.
8. MEED. Special Report, 1986, April, pp 20-23; The Financial Times. 22 May 86, p 7.
9. The Times. 4 Nov 76, p 7; MEED, 1986, No 17, pp 34-35.
10. MEED, 1987, No 2, p 14; MEED, Special Report, 1986, April, p 24.
11. MEED, 1986, No 1, pp 8-11; The Financial Times, 22 May 86, p 7; MER, 1986, No 139, p 42.
12. MEED, 1985, No 51/52, p 60; 1986, No 2, pp 6-8, 31, 35; MEED, Special Report, 1986, May, p 15; The Financial Times, 22 May 86, p 7.

13. MEED, 1987, No 2, p 14.
14. MEED, 1987, No 20, p 43.
15. MEED, 1987, No 15, p 26.
16. MEED, Special Report, 1986, April, p 23.
17. BIKI. 1986, No 7, p 8.
18. MEED, 1987, No 20, pp 5-6.

COPYRIGHT: "Narody Azii i Afriki," Glavnaya redaktsiya vostochnoy literatury, 1988

### Asian Studies Conferences Held in Latter Half of 1987 Noted

18070001y [Editorial Report] Moscow NARODY AZII I AFRIKI in Russian in No 3, May-June 1988, carries on pages 144-152 "Chronicle Notes," compiled by A.A. Belozertsev, V.N. Ulyakhin, A.A. Shildbakh, S.A. Gorbunova, N.V. Yeliseyeva, N.B. Dugarov, S.K. Roshchin, L.P. Kontsevich and M.N. Pak, on the following academic conferences which took place in the USSR or Inner Mongolia in the fall of 1987:

The USSR Academy of Sciences Oriental Studies Institute in Moscow in October 1987 convened its first Soviet-English seminar on contemporary problems of Afro-Asian countries, "The State and Development of the Agricultural Economy in Countries of Asia and Africa."

On 2 October 1987, the USSR Academy of Sciences Oriental Institute in Moscow held a joint Soviet-Indian seminar "Mahatma Gandhi and the Indian Revolution" on M. Gandhi's birthday.

In November 1987 the USSR Academy of Sciences Far East Institute in Moscow cosponsored, with the All-Union Association of Sinologists, a scientific conference marking the 70th anniversary of the Great October Socialist Revolution.

In October 1987 the USSR Academy of Sciences Oriental Institute, Leningrad Branch held a scientific conference highlighting the theme "Historical Development of Peoples of the East and Problems of Their Cultural Interaction."

From 25-29 September 1987 the University of the Autonomous Region of Inner Mongolia in Hohhot, Inner Mongolia, People's Republic of China sponsored an International Symposium on Mongolian Studies. Delegations from the PRC, the United States, the MPR, Hungary, Japan, France, the FRG, and Australia participated. The participating Soviet academicians were: V.M. Solntsev (delegation head), S.D. Dylykov, G.Ts. Pyurbeyev, S.K. Roshchin, and K.N. Yatskovskaya.

The Association of Korean Studies in Europe (AKSE) held its 11th annual conference in a suburb of Stockholm in 1987. More than 60 Korean specialists from Western Europe, the socialist countries, including the USSR, as well as the United States and South Korea participated. The Soviet participants included: L.B. Nikolskiy, L.R. Kontsevich, and M.I. Nikitina.

UD/332

### Book on Israeli-South African Cooperation Reviewed

18070001e Moscow NARODY AZII I AFRIKI in Russian No 3, May-Jun 88 pp 211-213

[Review by A.V. Prudnikov of book "Izrail i YuAR: tseli i formy sotrudnichestva" [Israel and South Africa: Goals and Forms of Cooperation] by S.M. Gasratyan, Moscow, Main Editorial Board for Oriental Literature of Nauka Publishing House, 1987, 142 pp]

[Text] The alliance of Israel and South Africa began to attract the increased attention of international-relations specialists starting in the 1970s, when it acquired a special nature as a result of a deepening of the military, political and economic cooperation of the two countries, the reinforcement of their military potential and—as a consequence of that—a strengthening of the aggressiveness of their foreign policies. At the same time, we are witness to how, since the beginning of the 1980s, the ruling circles of Israel have been striving to "dissociate themselves from the racist policies of South Africa" (p 58). The question thus arises before the researcher of Israeli foreign policy: could the statements of the Israeli leaders on their condemnation of apartheid be considered a real trend of Tel Aviv moving away from supporting the racist policies of South Africa? S.M. Gasratyan proposes that two conflicting lines exist in Israel on this score: dissociation from this policy, on the one hand, and a further reinforcement of ties with South Africa, on the other. The whole logic of the book under review here, however, brings the reader to the conclusion that the basic factors that have conditioned the convergence of the two countries in the military and political sphere (pp 40-43), as well as their mutual vested interest in economic cooperation (Ch. 3), are acting in the direction of a further reinforcement of the ties between them. This is perhaps one of the chief conclusions you come to when reading the book.

The author, in researching this problem, uses materials in Hebrew as well as sources in English. The publication of parliamentary debates, for example, makes it possible to uncover the positions of the Israeli parties in parliament in connection with the Israeli condemnation of apartheid at the UN in 1961 and 1962; the materials of the Israeli press in Hebrew make it possible to reveal more fully the substance and aims of the visits of prominent Israeli political figures to South Africa and South African leaders to Israel. Considerable material on the question of the position of the Jewish community in

South Africa from the organs of the World Zionist Organization (the journal *BE TFUTSOT HAGOLA*) and the World Jewish Council (the journal *GESHER*) is emphasized by the author. I would also note that in analyzing economic ties, Gasratyan turns to data drawn from the organ of the Israeli diamond industrialists—the journal *HAYAHALOM*.

This research is also interesting in that it gives, for the first time in Soviet literature, a detailed and well-reasoned periodization of Israeli—South African relations from 1948 through the present (pp 9-10) and the history of their ascents and declines. All of this makes it possible to uncover the general features that are important in forecasting the future development of ties between the two countries.

This is also the first detailed research on the contradictions between Israel and South Africa in various realms. I want to direct the attention of the reader in particular to the contradictions noted by the author “between the vested interest of Israel in expanding ties with the independent African countries, on the one hand, and cooperation with South Africa on the other,” as well as “between the vested interest of South Africa in the development of ties with a series of reactionary Arab regimes and cooperation with Israel” (p 11). These contradictions have been muted and then sharpened at various stages of Israeli-South African cooperation. “The 1980s also revealed the presence of a lack of coincidence of the interests of the two countries. However, as before, these were just tactical differences. Israel has displayed a particular vested interest in developing relations with the African countries. South Africa in turn has been trying to maintain ties with some Arab states that have sharply condemned the policies of Israel in the Near East” (p 58). These tactical differences evidently also include frictions “in connection with Israel’s condemnation (albeit a formal one) of apartheid” (p 11). The vested interest of Israel in arranging political and economic ties with black Africa has forced it into diplomatic maneuverings. The Israeli leadership at one time undertook a series of propaganda acts with the aim of keeping the countries of Africa from breaking official relations with Israel: in November of 1962 its representative at the 17th session of the UN General Assembly voted for a resolution to employ economic and political sanctions against South Africa, aside from the paragraph expelling that country from the UN (p 35); in 1966 Israel supported a UN General Assembly resolution revoking the South African mandate to the territory of Namibia (p 36); in 1971 Tel Aviv contributed 5,000 dollars to the OAS relief fund, which caused the South African government to suspend the free exchange of currency with Israel (p 46). The process of restoring diplomatic relations between Israel and the African countries since the beginning of the 1980s has worsened this contradiction once again. As Gasratyan notes, “the formal condemnation of apartheid by Israel did not meet the interests of the South African government, since it wanted to achieve recognition of the so-called ‘reforms’ by the international community...” (p 58).

A group of economic contradictions should also be delineated. Among them are “the too-active penetration of Israeli capital into the Bantustans, reflecting the interests of certain circles of Israeli businessmen,” which is “causing greater and greater dissatisfaction in the South African government, troubled by the possible growth in indebtedness of the Bantustans to Israel” (p 11). The Israeli policy of encouraging the formation of Bantustans at the same time has facilitated the plans of the South African leaders: “Israeli capital, incorporated into the economies of the individual Bantustans... has facilitated their development as communities isolated from each other, thereby distracting their populations from the nationwide struggle, i.e. has furthered the political aims of the South African government” (p 124).

Yet another contradiction is the “preservation of a net negative balance of trade of Israel with South Africa” (p 11). One need not, however, exaggerate the scale of the Israeli-South African contradictions. The author herself acknowledges that “as concerns the contradictions connected with the struggle for new sources of raw materials and sales markets, Israeli and South Africa come out into the world market as partners, not as competitors, for example in the export of diamonds” (ibid.). Pointing out the fact that Israel and South Africa are highly developed capitalist countries, the author emphasizes the mutually advantageous basis of their cooperation, and notes that the struggle between them has essentially pursued the aim of providing one’s own side with the most favorable conditions in economic mutual relations.

The monograph gives a depiction of the role of the South African Jewish community in reinforcing Israeli ties with South Africa, the evolution of its position in relation to apartheid and its close contacts with Israel. Gasratyan at the same time notes that “the role of the community was ‘auxiliary.’ The actual facts refute the attempts of official Israeli circles to present the matter in such a way that Israel has supposedly maintained diplomatic and other relations with South Africa only due to the presence of an influential and financially powerful Jewish community there” (p 124). The attempt to link the considerable numbers of Zionist organizations in South Africa with the socio-economic structure of the Jewish community, and namely the presence in it of broad segments of petty, middle-class and large bourgeoisie, is interesting, in my opinion. The author emphasizes at the same time that many of the representatives of this community have not yielded to nationalistic emotions and have entered the ranks of the revolutionary liberation movement of South Africa.

Some new features of Israeli policy in South Africa typifying the 1980s have been noted in the monograph. The conclusion is drawn in particular that “representatives of the ruling circles of Israel have displayed a particular vested interest in arranging contacts with the black leaders of trade-union organizations in South Africa through Histadrut.” In the author’s opinion, this

policy is aimed at "expanding the pro-imperialist influence of Israel and reformist and appeasement ideas in the trade unions..." (p 62). This policy, in my opinion, should be considered in a wider international context, especially in the aspect of Israeli policy in Sub-Saharan Africa and the prospects for resolving the crisis in South Africa.

S.M. Gasratyan has used a large quantity of statistical materials describing the economic cooperation of Tel Aviv and Pretoria; the system of their treaty relations is also revealed in the work (pp 90-94). The conclusion is well substantiated that "economic cooperation has developed at a high rate. And moreover, whereas in 1967-73 its basic form was trade exchange, after 1973 greater diversity has been observed in economic ties: trade exchange, the creation of joint enterprises" etc. (p 121). In connection with the fact that "Israel has been transformed into the most important channel for the illegal sale of American arms and its own arms to South Africa" (p 123), the author's attempt to establish the actual volume of trade turnover between Israel and South Africa, including data on the export of arms to South Africa and uncut diamonds to Israel, deserves attention (p 121). Also important is the theory that "cooperation in the economic sphere, aside from the immediate advantages, has facilitated making the economic embargo against South Africa ineffective" (p 124).

There are also debatable positions in the book. The assertion that "the strengthening of the aggressiveness of international imperialism, and first and foremost the United States, has facilitated the expansion of the military ties of Israel and South Africa" (pp 69-70) seems too schematic and simple. There is, in my opinion, a more complex interdependence between U.S. policy and Israeli-South African relations, and it should have been uncovered in the book in more detail. Relations with the United States hold first place in the foreign-policy priorities of Israel, and thus all nuances of American global policies are keenly perceived by Israel. In the middle of the 1980s, Washington was forced to move toward adopting limited sanctions against South Africa, and this was reflected in Israeli positions. A typical example of

the reaction of Israel to American pressure, or more precisely the pressure of the U.S. Congress,<sup>1</sup> was the announcement in Tel Aviv in March of 1987 of limited sanctions extending to the sphere of Israeli-South African military cooperation. This example testifies to the ambiguous influence of American policy on Israeli-South African relations.

The distinctions between Zionism and apartheid could also have been formulated more clearly. The author writes that "whereas the racists of South Africa speak of the supremacy of whites over blacks, the Zionist ideologists openly declare the superiority of Jews not only over blacks and coloreds, but also over all remaining races altogether" (p 5). The fact that discrimination in Israel is accomplished not by the color of skin, but by religion, is omitted in the book. The differences in the legal support for such discrimination in the two countries should also have been considered. When the author speaks of the ideological and political convergence of Israel and South Africa after 1967 (p 42), little is said among the general features uniting them of the specific ones that distinguish these regimes from the other capitalist countries.

I would like to note in conclusion that this monograph is useful in its postulation and resolution of a number of the problems associated with analyzing the history and contemporary state of the economic, military and political relations of Israel and South Africa in the context of the overall problems of international relations, especially in the regions of Africa and the Near East.

#### Footnote

1. In 1986 the U.S. Congress passed a law against apartheid and committed the administration with reporting by April of 1987 on countries that were violating the UN embargo on arms deliveries to South Africa, having in mind reducing American aid to those countries. For more detail see: A.V. Prudnikov. Israeli Diplomacy and the Racist Regime of South Africa.—NAR-ODY AZII I AFRIKI. 1987, No 4, pp 56-64.

COPYRIGHT: "Narody Azii i Afriki," Glavnaya redaktsiya vostochnoy literatury, 1988

22161

62

NTIS

ATTN: PROCESS 103

BEVERLY FARRADAY

5285 PORT ROYAL RD

SPRINGFIELD, VA

22161

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, economic, military, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available source; it should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed, with personal and place names rendered in accordance with FBIS transliteration style.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

#### SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Soviet Union, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.